

ESK'ETEMC
Consolidated Financial Statements
Year Ended March 31, 2018

ESK'ETEMC**Index to Consolidated Financial Statements****Year Ended March 31, 2018**

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Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Esk'etemc are the responsibility of management and have been approved by Chief and Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

Esk'etemc maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance the financial information is relevant, reliable and accurate and that Esk'etemc's assets are appropriately accounted for and adequately safeguarded.

The Chief and Council are responsible for ensuring the integrity of Esk'etemc's accounting and reporting systems and that appropriate internal controls are in place, including those for monitoring risk, financial reporting and compliance with the laws and that management fulfils its responsibilities for financial reporting. The Chief and Council are ultimately responsible for reviewing and approving the consolidated financial statements.

The Chief and Council review Esk'etemc's consolidated financial statements and recommend their approval. The Chief and Council meet periodically with management, as well as the independent auditor, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the consolidated financial statements and independent auditor's report. The Chief and Council also consider the engagement of the independent auditor.

The consolidated financial statements have been audited by FBB Chartered Professional Accountants LLP in accordance with Canadian generally accepted auditing standards on behalf of the members. FBB Chartered Professional Accountants LLP has full access to the Chief and Council.



Chief



Councilor



**CHARTERED
PROFESSIONAL
ACCOUNTANTS LLP**

D. Kane Fraser, CPA, CA*
Partner

Ryan Broughton, CPA, CA*
Partner

**Denotes incorporated professional*

INDEPENDENT AUDITOR'S REPORT

To the Members of Esk'etemc

We have audited the accompanying consolidated financial statements of Esk'etemc, which comprise the consolidated statement of financial position as at March 31, 2018 and the consolidated statements of changes in net debt, operations and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

(continues)

Basis for Qualified Opinion

The information provided for Long Term Investments totalling \$2,161,215 was unaudited, and we were unable to rely on this information to form our audit opinion or satisfy ourselves by alternate means as to the accuracy of this information. As a result of this limitation in scope we are unable to determine what adjustments, if any, may be required to the value of the Long Term Investments and Equity thereon.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion above, the consolidated financial statements present fairly, in all material respects, the financial position of Esk'etemc as at March 31, 2018 and the results of its changes in net debt, operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Williams Lake, British Columbia
July 10, 2018

A handwritten signature in black ink, consisting of the letters 'FBB' in a stylized, cursive-like font.

FBB Chartered Professional Accountants LLP

ESK'ETEMC**Consolidated Statement of Financial Position****Year Ended March 31, 2018**

	2018	2017
Financial Assets		
Cash	\$ 1,979,208	\$ 2,110,877
Short term investments (Note 4)	1,313,548	2,229,004
Cash restricted as to use (Note 5)	341,552	374,801
Trade accounts receivable (Note 6)	1,099,550	901,373
Ottawa Trust Accounts (Note 7)	1,229,996	1,194,808
Inventory	38,227	49,670
Investments (Note 8)	2,161,215	1,723,231
	<u>8,163,296</u>	<u>8,583,764</u>
Liabilities		
Bank indebtedness (Note 9)	165,000	85,000
Accounts payable and accrued liabilities (Note 10)	992,870	1,543,784
Silviculture responsibility	1,313,691	1,008,117
Deferred revenue (Note 11)	1,631,944	1,717,294
Treaty negotiation loan (Note 12)	7,773,605	7,773,605
Long term debt (Note 13)	614,901	783,805
	<u>12,492,011</u>	<u>12,911,605</u>
Net debt	<u>(4,328,715)</u>	<u>(4,327,841)</u>
Non-financial assets		
Prepaid expenses	101,243	154,954
Tangible capital assets (Note 16)	23,881,843	20,801,326
Treaty negotiations	7,773,605	7,773,605
	<u>31,756,691</u>	<u>28,729,885</u>
Band equity	<u>\$ 27,427,976</u>	<u>\$ 24,402,044</u>
Band equity		
Accumulated surplus (Note 15) - page 6	\$ 26,911,700	\$ 23,888,426
Replacement reserve (Note 16)	331,327	328,669
	<u>27,243,027</u>	<u>24,217,095</u>
Contributed surplus (Note 17)	184,949	184,949
	<u>\$ 27,427,976</u>	<u>\$ 24,402,044</u>

Contingencies (Note 20)

Approved on behalf of Esk'etemc

 Chief


 Councilor

The accompanying notes are an integral part of this statement.

ESK'ETEMC**Consolidated Statement of Changes in Net Debt****Year Ended March 31, 2018**

	2018 Budget (unaudited)	2018	2017
Net revenue for the year	\$ 338,393	\$ 2,938,375	\$ 11,013,528
Amortization	-	496,196	609,638
Net contribution by replacement reserve	-	87,557	(81,455)
Change in prepaid expenses	-	53,711	(88,428)
Tangible capital asset acquisitions	-	(3,576,713)	(11,066,811)
(Increase) decrease in net debt	338,393	(874)	386,472
Net debt - beginning of year	(4,327,841)	(4,327,841)	(4,714,313)
Net debt - end of year	\$ (3,989,448)	\$ (4,328,715)	\$ (4,327,841)

The accompanying notes are an integral part of this statement.

ESK'ETEMC**Consolidated Statement of Operations****Year Ended March 31, 2018**

	2018 Budget (Unaudited)	2018	2017
Revenues <i>(from Schedule 1)</i>	\$ 7,639,468	\$ 11,535,948	\$ 11,710,015
Deferred revenue - beginning of year	-	1,717,294	3,941,555
Deferred revenue - end of year	-	(1,631,944)	(1,717,294)
	7,639,468	11,621,298	13,934,276
Expenses <i>(from Schedule 2)</i>	7,301,075	12,579,392	14,288,883
Net revenue before the following	338,393	(958,094)	(354,607)
Other income			
Funding recoveries	-	(29,831)	(156,136)
Operating results of Band enterprises	-	349,587	393,300
Tangible capital assets purchased	-	3,576,713	11,066,811
CMHC matured units	-	-	64,160
Net revenue for the year	338,393	2,938,375	11,013,528
Accumulated surplus - beginning of year	24,377,482	24,377,482	13,279,055
Restatement of prior years (Note 23)	(489,056)	(489,056)	(404,157)
Accumulated surplus - as restated - beginning of year	23,888,426	23,888,426	12,874,898
Accumulated surplus - end of year - page 4	\$ 24,226,819	\$ 26,911,700	\$ 23,888,426

The accompanying notes are an integral part of this statement.

ESK'ETEMC**Consolidated Revenues****(Schedule 1)****Year Ended March 31, 2018**

	2018 Budget (Unaudited)	2018	2017
Revenues			
Federal Government			
ISC Operating	\$ 3,235,480	\$ 3,155,983	\$ 2,573,777
ISC Capital	1,046,302	1,995,113	2,962,935
First Nations Health Authority	1,124,829	1,570,792	1,416,514
Health Canada	468,499	698,333	511,173
CMHC	-	106,838	121,051
CCATEC	178,928	166,122	99,399
Department of Justice	30,192	30,192	30,192
Fisheries and Oceans	46,000	46,000	45,962
Natural Resources	-	99,900	-
Province of British Columbia	330,711	188,980	431,988
Service contracts and fees	361,400	595,008	211,874
Rentals	313,405	661,832	681,864
Royalties	-	276,792	615,507
Band revenues	-	88,648	146,225
Enbridge	50,000	50,000	50,000
First Nations Education Steering Committee	103,573	265,760	149,585
Store sales	-	939,769	1,154,636
Canadian Red Cross	-	253,501	-
Interest and short term investments	18,000	108,684	205,922
Work Opportunities Program	-	4,038	28,710
BC Hydro	79,738	79,738	79,738
Daycare fees	112,200	112,031	76,113
Change in Silviculture Responsibility	-	(305,574)	(81,442)
All other	140,211	347,468	198,292
	\$ 7,639,468	\$ 11,535,948	\$ 11,710,015

The accompanying notes are an integral part of this statement.

ESK'ETEMC**Consolidated Expenses****(Schedule 2)****Year Ended March 31, 2018**

	2018 Budget (Unaudited)	2018	2017
Administration	\$ 1,436,633	\$ 2,770,493	\$ 2,666,541
Amortization	-	496,196	609,638
Capital projects	1,141,849	3,510,419	6,369,198
Education	1,417,182	1,438,877	1,265,954
Health and well-being	1,830,736	1,893,360	1,546,252
Housing	-	158,458	144,958
Natural resources	56,515	86,916	78,086
Public works	739,025	1,133,649	985,959
Social development	679,135	656,580	622,297
Wildfires support	-	434,444	-
	\$ 7,301,075	\$ 12,579,392	\$ 14,288,883

The accompanying notes are an integral part of this statement.

ESK'ETEMC**Consolidated Statement of Cash Flows****Year Ended March 31, 2018**

	2018	2017
Cash flows from operating activities		
Net revenue for the year	\$ 2,938,375	\$ 11,013,528
Items not affecting cash:		
Amortization	496,196	609,638
Operating results of First Nation enterprises	(349,587)	(393,300)
	<u>3,084,984</u>	<u>11,229,866</u>
Changes in non-cash working capital:		
Accounts receivable	(198,177)	821,627
Replacement reserve	87,557	(81,455)
Cash restricted as to use	33,249	50,086
Inventory	11,443	(4,323)
Accounts payable and accrued liabilities	(550,914)	397,147
Silviculture responsibility	305,574	81,442
Deferred revenue	(85,350)	(2,224,261)
Prepaid expenses	53,711	(88,428)
	<u>(342,907)</u>	<u>(1,048,165)</u>
Cash flows from operating activities	<u>2,742,077</u>	<u>10,181,701</u>
Cash flows used by investing activities		
Change in trust funds held by Canada	(35,188)	(29,974)
Advances from (to) related parties	(88,397)	(141,703)
Cash flows used by investing activities	<u>(123,585)</u>	<u>(171,677)</u>
Cash flows from (used by) financing activities		
Change in bank indebtedness	80,000	10,000
Repayment of long term debt	(168,904)	(282,637)
Cash flows used by financing activities	<u>(88,904)</u>	<u>(272,637)</u>
Cash flows used by capital activities		
Tangible capital asset acquisitions	<u>(3,576,713)</u>	<u>(11,066,811)</u>
Decrease in cash flow	(1,047,125)	(1,329,424)
Cash - beginning of year	<u>4,339,881</u>	<u>5,669,305</u>
Cash - end of year	\$ 3,292,756	\$ 4,339,881
Represented by:		
Cash	\$ 1,979,208	\$ 2,110,877
Marketable securities	<u>1,313,548</u>	<u>2,229,004</u>
	<u>\$ 3,292,756</u>	<u>\$ 4,339,881</u>

The accompanying notes are an integral part of this statement.

1. Basis of presentation

In order to satisfy the Reporting Guide's Financial Reporting Requirements of Indigenous Services Canada ("ISC") these consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards, as defined in the CPA Canada Public Sector Accounting Handbook, which encompasses the following:

- a. The focus of PSAB statements is on the financial position of Esk'etemc and the changes thereto. The Consolidated Statement of Financial Position includes all the assets and liabilities of Esk'etemc. Financial assets are economic resources controlled by Esk'etemc as a result of past transactions from which future economic benefits may be obtained. Liabilities are present obligations of Esk'etemc to others arising from past transactions, the settlement of which is expected to result in the future sacrifice of economic benefits.
- b. Esk'etemc uses fund accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions.

The various funds have been amalgamated for the purpose of presentation in the consolidated financial statements. Details of the operation of each fund are set out in the supplementary schedules.

Esk'etemc maintains the following funds:

- The Operations Fund which reports the general activities of Esk'etemc.
 - The Capital Fund which reports the capital projects of Esk'etemc together with their related financing, other than those tangible capital assets funded by CMHC.
 - The Investment Fund which reports Esk'etemc's investments in related entities.
 - The Trust Fund which reports on the trust funds owned by Esk'etemc and held by third parties.
 - The CMHC Social Housing Fund which reports assets, liabilities, revenues, expenses and reserves specifically related to housing funded by CMHC.
 - The Treaty Self-Government Fund which reports on activities related to treaty negotiations.
- c. Reporting entity and principles of financial reporting

The Esk'etemc reporting entity includes Esk'etemc and all related entities which are accountable to the Chief and Council and are either owned or controlled by Esk'etemc.

The consolidated financial statements include the assets, liabilities and results of operations for the following entities which use accounting principles which lend themselves to consolidation:

- Band government administration (Operating and Capital funds)
- Band Investment Fund
- Band Trust Fund (comprising the Ottawa Trust Funds)
- Band CMHC Social Housing Fund
- Treaty Self-Government Fund

All inter-entity balances have been eliminated on consolidation, but in order to present the results of operations for each fund, transactions amongst funds have not been eliminated on the individual schedules.

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1. Basis of presentation (*continued*)

Business entities, which are owned or significantly influenced by Esk'etemc and which are not dependent on Esk'etemc for their continuing operations, are included in the consolidated financial statements using the modified equity method. These include:

- Ecolink Forest Services Ltd.
- Alkali Resource Management Ltd.

2. Summary of significant accounting policies**Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand less outstanding cheques and deposits with a maturity of less than three months at the time of purchase. When outstanding cheques are in excess of cash on hand, the excess is reported in bank indebtedness.

Inventory

Inventory is stated at the lower of cost and net realizable value. Inventory is valued using the first-in, first-out (FIFO) method.

Tangible capital assets

Tangible capital assets are non-financial assets having physical substance that:

- Are held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other tangible capital assets;
- Have useful economic lives extending beyond an accounting period;
- Are to be used on a continuing basis; and
- Are not for sale in the ordinary course of operations.

Tangible capital assets purchased are recorded at cost. Tangible capital assets contributed are recorded at the fair market value as at the date of the contribution.

Tangible capital assets are amortized over their expected useful life using the declining balance method at the following rates:

Buildings	2%
Infrastructure	1.25%
Automotive equipment	20%
Equipment and machinery	20%
Computer equipment	30%

Assets under construction are not amortized as they are not available for use.

Housing tangible capital assets acquired under Canada Mortgage and Housing Corporation sponsored housing programs are amortized at a rate equivalent to the annual principal reduction in the related long term debt, as required for Canada Mortgage and Housing Corporation reporting purposes.

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2. Summary of significant accounting policies (*continued*)Surplus recoveries and deficit funding

Under the terms of funding arrangements, remaining surpluses of certain programs may be recovered by the funding agency, and remaining deficits may be funded by the funding agency.

Trust funds held by Canada (Ottawa Trust Fund)

Ottawa Trust Fund operating account revenues are recorded on an accrual basis, and include interest earned on the Ottawa Trust account.

Ottawa Trust Fund capital account revenues are recorded when Esk'etemc is notified of their deposit by Indigenous Services Canada.

Revenue recognition

Revenue is recognized as it becomes receivable and collection is reasonably assured under the terms of applicable funding agreements. Funding received under funding arrangements which relate to a subsequent fiscal period is reflected as deferred revenue in the year of receipt and classified as such on the Consolidated Statement of Financial Position.

Expenses are accounted for in the period the goods and services are acquired and a liability is incurred, or transfers are due.

Rental revenue is recognized when a tenant commences occupancy and rent is due. Esk'etemc retains all benefits and risks of ownership of its property and, therefore, accounts for leases with its tenants as operating leases.

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the impairment of assets, and rates for depreciation and amortization. Actual results could differ from those estimates.

Liability for contaminated sites

Esk'etemc has reviewed the implications of the CPA Canada Public Sector Accounting Handbook Section *PS 3260 - Liability for Contaminated Sites* and has concluded that it is not exposed to any contaminated sites. Esk'etemc has therefore not recorded any liability for remediation of contaminated sites.

3. Economic dependence

Esk'etemc receives a significant portion of its revenues pursuant to funding arrangements with Indigenous Services Canada. Esk'etemc's ability to continue operations would be severely hampered should this funding be discontinued.

ESK'ETEMC**Notes to Consolidated Financial Statements****Year Ended March 31, 2018****4. Marketable Securities**

	2018	2017
Forest and Range Capital	\$ 375,608	\$ 1,313,896
Silviculture	937,940	915,108
	<u>\$ 1,313,548</u>	<u>\$ 2,229,004</u>

5. Cash restricted as to use

	2018	2017
Replacement reserve	\$ 341,552	\$ 374,801

Under the terms of the Band's Social Housing Agreement with Canada Mortgage and Housing Corporation, a separate replacement reserve account is maintained. The funds in this account may only be used for repairs and maintenance as approved by Canada Mortgage and Housing Corporation.

6. Accounts receivable

	2018	2017
Due from members:		
Rent	\$ 508,658	\$ 376,864
Due from others:		
Enbridge	50,000	50,000
Department of Justice - Canada	3,019	3,019
ISC	-	42,382
FNESC	73,721	11,272
CCATEC	49,583	24,751
GST recoverable	74,887	49,217
CMHC	6,239	8,159
Province of British Columbia	307	2,007
First Nation Health Authority	16,177	200,466
All others	316,959	133,236
	<u>\$ 1,099,550</u>	<u>\$ 901,373</u>

The above accounts receivable are presented net of an allowance for doubtful accounts in the amount of \$850,488 (2017 - \$850,488).

7. Trust funds held by Canada

	2018	2017
Ottawa Trust Accounts	\$ 1,229,996	\$ 1,194,808

The Ottawa Trust Accounts arise from monies from capital or revenue sources as outlined in Section 62 of the *Indian Act*. These funds are held in trust in the consolidated revenue fund of the Government of Canada and are subject to audit by the office of the Auditor General of Canada. The management of these funds is governed primarily by Sections 63 and 69 of the *Indian Act*.

Funds on deposit in the Ottawa Trust Accounts may be withdrawn by Band Council Resolution.

ESK'ETEMC**Notes to Consolidated Financial Statements****Year Ended March 31, 2018****8. Investments**

Investment in Ecolink Forest Services Ltd.

	<u>2018</u>	<u>2017</u>
Shareholder's loan, due on demand, interest free, unsecured, no specific terms of repayment	\$ 79,739	\$ 79,739
Equity income in Ecolink	<u>316,983</u>	<u>378,431</u>
	<u>396,722</u>	<u>458,170</u>

Investment in Alkali Resource Management Ltd.

1 share of 1 share issued, at cost, held in Trust by
Esk'etemc Band Council

Investment in Alkali Resource Management Ltd.	1	1
Equity gain in Alkali Resource Management Ltd.	<u>765,188</u>	<u>676,790</u>
	<u>999,304</u>	<u>588,270</u>
	<u>1,764,493</u>	<u>1,265,061</u>
	<u>\$ 2,161,215</u>	<u>\$ 1,723,231</u>

A summary of the unaudited financial statements of Alkali Resource Management Ltd. (A.R.M.), for the year ended April 30, 2017, and for Ecolink for the year ended December 31, 2017 follows:

	A.R.M.	EcoLink
Statement of Financial Position		
Current assets	\$ 1,699,985	\$ 375,289
Tangible capital assets	<u>306,628</u>	<u>1,724,221</u>
	<u>\$ 2,006,613</u>	<u>\$ 2,099,510</u>
Current liabilities	\$ 242,120	\$ 945,748
Long term liabilities	-	360,120
Due to shareholders	765,189	159,478
Share capital	1	200
Surplus	<u>999,303</u>	<u>633,964</u>
	<u>\$ 2,006,613</u>	<u>\$ 2,099,510</u>
Statement of Operations		
Revenue	\$ 9,714,244	\$ 3,260,085
Expenses	<u>9,303,210</u>	<u>3,382,981</u>
Net Income (loss)	411,034	(122,896)
Surplus, beginning of year	<u>588,269</u>	<u>756,860</u>
Surplus, end of year	<u>\$ 999,303</u>	<u>\$ 633,964</u>

ESK'ETEMC**Notes to Consolidated Financial Statements****Year Ended March 31, 2018****9. Bank indebtedness**

	<u>2018</u>	<u>2017</u>
RBC Line of Credit-Overdraft-Alkali Enterprises	\$ 165,000	\$ 85,000

Esk'etemc has negotiated a line of credit with the Royal Bank of Canada to a maximum of \$450,000 with interest at the bank prime rate plus 0.25%, secured by a general security agreement.

The bank indebtedness for the store is in the form of an operating line payable to the Royal Bank of Canada to a maximum of \$200,000 with interest at the bank prime plus 0.75%, secured by a general security agreement.

As at March 31, 2018, the bank's prime rate was 3.45%.

10. Accounts payable and accrued liabilities

	<u>2018</u>	<u>2017</u>
Trade accounts	\$ 962,743	\$ 794,083
Accrued payroll and source deductions	30,127	2,517
Holdbacks payable	-	747,184
	<u>\$ 992,870</u>	<u>\$ 1,543,784</u>

11. Deferred revenue

	<u>2018</u>	<u>2017</u>
ARM/Ecolink Building Project	\$ 188,773	\$ -
Federal funding for:		
New school project	-	446,433
Water treatment	485,268	654,275
IR #2 Subdivision	13,500	49,785
Treatment Centre	-	505,300
Biomass Heating Project	944,403	61,501
	<u>\$ 1,631,944</u>	<u>\$ 1,717,294</u>

12. Esk'etemc Treaty Negotiation Funding

	<u>2018</u>	<u>2017</u>
Indigenous Services Canada loan, secured by promissory notes issued by Council, non-interest bearing, repayable upon earlier of the signing of a treaty between Esk'etemc and the Governments of Canada and British Columbia, the twelfth anniversary of the original loan, or the seventh anniversary after signing an agreement in principle.	\$ 7,773,605	\$ 7,773,605

ESK'ETEMC**Notes to Consolidated Financial Statements****Year Ended March 31, 2018****13. Long term debt**

	<u>2018</u>	<u>2017</u>
CMHC Direct demand loan paid in the year.	\$ -	\$ 24,662
All Nations Trust Company demand loan paid in the year.	-	30,957
CMHC mortgage, repayable in monthly instalments of \$3,390 including interest at 1.83%, secured by ministerial guarantee, maturing October 1, 2019.	63,432	102,563
CMHC mortgage, repayable in monthly instalments of \$3,007 including interest at 2.56%, secured by ministerial guarantee, maturing August 1, 2020..	83,346	117,078
CMHC mortgage, repayable in monthly instalments of \$1,729 including interest at 2.65%, secured by ministerial guarantee, maturing February 1, 2021.	57,380	76,631
CMHC mortgage, repayable in monthly instalments of \$1,446 including interest at 1.92%, secured by ministerial guarantee, maturing April 1, 2034.	240,144	252,778
CMHC mortgage, repayable in monthly instalments of \$978 including interest at 2.17%, secured by ministerial guarantee, maturing November 1, 2035.	170,599	179,136
	614,901	783,805
Amounts payable within one year	(114,617)	(168,872)
	\$ 500,284	\$ 614,933

Principal repayment terms are approximately:

2019	\$ 114,617
2020	100,169
2021	53,548
2022	22,269
2023	22,722
Thereafter	301,576
	\$ 614,901

Long term debt is secured by the guarantee of the Minister of Finance - Canada.

ESK'ETEMC**Notes to Consolidated Financial Statements****Year Ended March 31, 2018****14. Tangible capital assets**

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land	\$ 71,952	\$ -	\$ 71,952	\$ 71,952
Automotive equipment	1,193,504	1,035,617	157,887	162,554
Buildings and infrastructure	30,042,675	7,664,576	22,378,099	19,225,198
Computer and office equipment	2,203,041	2,035,680	167,361	46,351
CMHC Social Housing	2,617,230	1,728,700	888,530	1,057,433
Alkali Enterprises	559,335	341,321	218,014	237,838
	\$ 36,687,737	\$ 12,805,894	\$ 23,881,843	\$ 20,801,326

Tangible capital asset acquisitions during the year:

Buildings and infrastructure	\$ 3,381,140
Vehicles and self-propelled equipment	74,500
Equipment	158,677
2016 Toyota Tundra	(37,604)
	\$ 3,576,713

During the year, a 2016 Toyota Tundra was traded on the purchase of a new vehicle (2017 - \$NIL).
There were no asset write-downs during the year (2017 - \$NIL).

15. Band equity - accumulated surplus

	2018	2017
Operating and Capital Projects Fund	\$ 24,773,583	\$ 22,135,747
CMHC Social Housing Fund	(408,166)	(408,829)
Ottawa Trust Fund	1,229,996	1,194,808
Investment in Business Enterprises	1,316,287	966,700
	\$ 26,911,700	\$ 23,888,426

ESK'ETEMC**Notes to Consolidated Financial Statements****Year Ended March 31, 2018****16. Replacement reserve**

The replacement reserve represents funds set aside by Esk'etemc to fund future anticipated costs. The replacement fund balance consists of the following amounts:

	<u>2018</u>	<u>2017</u>
CMHC replacement reserve - beginning of year	\$ 241,478	\$ 323,633
Maturing units	-	(64,160)
Interest	1,650	616
Contributions required	37,021	43,202
Expenditures for replacements	(36,013)	(61,813)
CMHC required adjustment	87,191	87,191
CMHC replacement reserve - end of year	<u>\$ 331,327</u>	<u>\$ 328,669</u>

Under the terms of the mortgage agreements with Canada Mortgage and Housing Corporation, the Replacement Reserve account is to be credited in the amount of \$37,021 annually. These funds, along with accumulating interest are to be held in a separate bank account. The funds in this account may only be used as approved by Canada Mortgage and Housing Corporation.

17. Contributed surplus

Contributed surplus consists of the following:

	<u>2018</u>	<u>2017</u>
Band construction contribution	\$ 184,949	\$ 184,949

18. Financial instruments and risk management

Esk'etemc's financial instruments consist of cash, cash restricted as to use, accounts receivable, trust funds held by Canada, accounts payable and accrued liabilities and long term debt. Unless otherwise noted, it is management's opinion that Esk'etemc is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Esk'etemc is exposed to financial risk that arises from the credit quality of the entities to which it provides services. Credit risk arises from the possibility that the entities to which Esk'etemc provides services may experience financial difficulty and be unable to fulfill their obligations.

Esk'etemc is exposed to interest rate risk arising from fluctuations in interest rates on its cash and investments and does not hold any financial instruments that mitigate this risk.

19. Federal assistance payments

Esk'etemc Social Housing Fund has received federal assistance through Canada Mortgage and Housing Corporation pursuant to Section 56-1 of the National Housing Act to reduce mortgage interest expense to 2% to enable the project to provide housing to low income individuals. The amount of the assistance received for the year ended March 31, 2018 was \$91,633 (2017 - \$108,396). This assistance will continue, providing Esk'etemc is not in default of the agreement.

ESK'ETEMC**Notes to Consolidated Financial Statements****Year Ended March 31, 2018**

20. Contingent liabilityEsk'etemc member loans

Esk'etemc has guaranteed loans made in previous years by various financial institutions under the CMHC Housing Program. The original balances on these loans were \$2,141,013. As at March 31, 2018 the balances outstanding were:

CMHC Housing Program	\$ 614,901
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Treaty Negotiation Loan

The February, 2018 Federal Budget proposed, amongst others, that certain Treaty Negotiation Loans are under consideration of being forgiven by Canada. Details of the forgiveness are still under consideration. Forgiveness, if it occurs, will be reflected in the accounts when it is certain.

21. Reconciliation of ISC Comprehensive Funding Arrangement Revenue

Pursuant to the ISC Reporting Guide's Financial Reporting Requirements, the following reconciliation has been prepared:

Revenue total as per 2018 funding confirmation	\$ 5,151,096
ISC Revenue as per Statement of Operations	
Operating	\$ 3,155,983
Capital	<u>1,995,113</u>
	\$ 5,151,096

22. Band registered pension plan

Esk'etemc provides a defined contribution pension plan to qualifying employees. Under the plan, the defined members' contributions, the Esk'etemc contributions, and the related plan earnings comprise the members' money purchase amount. The plan is registered with the Canada Revenue Agency.

Esk'etemc contributed \$116,228 to the plan during the year ended March 31, 2018 (March 31, 2017 - \$109,684), to match its employees' required contributions.

23. Restatement of previous years

Esk'etemc has retroactively restated its accounts of previous years for the following:

To adjust Replacement Reserve to agree with CMHC	\$ 87,191
To increase Allowance for Bad Debts	404,157
Youth Activities	<u>(2,292)</u>
	\$ 489,056

ESK'ETEMC**Notes to Consolidated Financial Statements****Year Ended March 31, 2018**

24. Expenses by object

	<u>2018</u>	<u>2017</u>
Amortization	\$ 496,196	\$ 609,638
Contracted services	4,416,103	6,946,363
Honoraria	132,407	80,311
Insurance	143,507	160,389
Interest and bank charges	47,095	122,060
Materials and supplies	926,229	887,862
Rent, maintenance and utilities	680,199	664,862
Salaries, wages and benefits	3,329,250	2,929,164
Social assistance	532,964	448,174
Store purchases	640,663	827,690
Travel	398,964	264,835
Tuition and education	401,371	347,535
Wildfire support	434,444	-
	<u>\$ 12,579,392</u>	<u>\$ 14,288,883</u>

25. Comparative figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.